

Organizations that qualify as exclusively religious, charitable, or educational can apply to the Illinois Department of Revenue to obtain tax exemption identification (an "E" number) numbers. See 86 Ill. Adm. Code 130.2007. (This is a GIL.)

December 11, 2006

Dear Xxxxx:

This letter is in response to your letter dated August 31, 2006, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at www.ILTAX.com to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

My client is in the business of selling sporting goods and sports uniforms. Some of their customers are tax exempt charitable organizations such as schools and athletic organizations. In the past, the organization would place an order for uniforms directly with my client and pay for them through the organization. The organization would like to place a general order with my client and have the individual members come in to the store to purchase their uniform directly from my client.

In this scenario, are the sales still tax-exempt? What steps must be taken to make the sales tax-exempt?

Please respond via facsimile or mail. If you have any questions or need further clarification, please call me.

DEPARTMENT'S RESPONSE

Organizations that qualify as exclusively religious, charitable, or educational can apply to the Illinois Department of Revenue to obtain tax exemption identification numbers ("E" numbers). These numbers establish that the Department recognizes said organizations as exempt from incurring Use

Tax when purchasing tangible personal property in furtherance of their organizational purposes. See 86 Ill. Adm. Code 130.2007.

Sales to exempt organizations are subject to tax unless the organization has obtained an active exemption identification number ("E" number) from the Department. See 86 Ill. Adm. Code 130.2080. Companies selling tangible personal property to these organizations must be provided with an "E" number for the sales to be tax exempt, unless another exemption can be documented. It is important to note that only sales of tangible personal property invoiced to the organization itself are exempt. Sales made to an individual member or client of an exempt entity are generally subject to tax.

As a general proposition, individual members or clients of exempt organizations who purchase items of tangible personal property, such as cars, with their own funds and are then reimbursed by the exempt organization, cannot purchase the items tax-free. As noted above, the sale must be made to the exempt organization, and the "E" number can only be used in making purchases in furtherance of organizational purposes. However, if a business sells a car to an organization holding an "E" number as evidenced by the invoice showing the exempt organization as the purchaser, the sale can be made tax free even if the exempt organization later gives the car to an individual student or client.

If you require additional information, please visit our website at www.ILTAX.com or contact the Department's Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

Martha P. Mote
Associate Counsel

MPM:msk